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Memorandum of Conversation

DATE: September 19, 1952

SUBJECT: Problems of American Oil Company Operating Abroad

PARTICIPANTS:

State	Arabian American Oil Company
The Secretary	Terry Duce
Henry A. Byroade	Fred Davies
Paul H. Nitze	

COPIES TO: Messrs. Kitchen, Byroade, Minder, Wisner

1—1493.

Mr. Duce began the conversation by outlining the difficulties which his company and other American oil companies operating abroad were now in and foresaw in the future resulting from the Federal Trade Commission report and the subsequent grand jury investigation. He said that the impression had been created that the U.S. Government considered the American oil companies as being criminals or potential criminals; that this was having an adverse effect upon their effectiveness; and that it might very possibly lead to a decision by the host countries to conduct investigations themselves as to the propriety of the actions of the oil producing companies.

Mr. Duce

Mr. Duce also referred to the problem created by the subpoena of all records and memoranda. These records included not only memoranda with respect to matters which were highly classified from the U.S. Government's standpoint, but also matters which would be extremely embarrassing to the host countries. The Saudi Arabians had made it clear that they would be much concerned if a particular memorandum concerning Sheik Abdullah were to be made public.

The Secretary pointed out that the question of classified documents was under active consideration and, he felt, that some appropriate procedure would be developed for meeting this part of the question.

Mr. Duce had with him a chart showing the oil reserves of various countries and their status as importing or exporting nations. He emphasized that the oil reserves of the Middle East were at least three times those of the United States; that the great majority of the peoples of the world lived in countries dependent upon imports of oil; that the population of countries that were large-scale exporters was relatively small. He said that the oil reserves in the Middle East were not only an important asset but, if one contemplated the

alternative

alternative situation where they were and if the control of the Communists, this would give them a very important trading asset with respect to all other countries that were dependent upon imports for their fuel supply. He went on to say that if no solution were found to the problem raised by the Federal Trade Commission report, he thought it quite likely that developments would result which could completely undermine the position of American oil companies operating abroad. He thought that operations had already been affected, and that worse developments were to be anticipated.

There was some discussion of the Federal Trade Commission report, it being pointed out that most of the matter dealt with referred to the 20's and the 30's--problems which had been subsequently dealt with. Mr. Duce said that ARAMCO had tried to keep the State Department fully informed as to its actions, but no one was in a position to tell them what to do or what not to do.

Mr. Duce said that he had been considering what could be done about this situation. He said he felt that there was some analogy to the situation existing within the United States in the period prior to 1924. At that time there was unrestricted competition between the states, accompanied by various abuses. At that time, President Coolidge had appointed a Commission, consisting of the Secretaries of War,

Navy

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Navy, Interior, and Commerce. This Commission had made various recommendations which had eventually resulted in the Interstate Oil Compact and its accompanying machinery. Mr. Luce said he felt that the time might have come when it would be appropriate to contemplate some similar commission to look into the problems of the national interest with respect to the operation of American oil companies abroad.

The Secretary said that he also had been disturbed by the possible repercussions on our national interest of some of the consequences which might be expected to flow from the publication of the Federal Trade Commission report. The British, among others, had registered their concern. He felt, however, that there were certain problems which should be considered in connection with Mr. Luce's suggestion. The first one of these was that useful action might be difficult prior to the election. In the heat of a campaign, either side might well make political capital out of whatever was done. Mr. Hiss said that even though this was undoubtedly a problem, he was not sure that something useful could not be done.

The Secretary then raised a question as to the composition of any such commission. He wondered how useful a report by Cabinet officers could be whose terms of office were about to be expired. He also wondered whether a report by a commission, composed of outsiders appointed by this Administration

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administration, would be considered inadequate by a subsequent administration. The Secretary also said that a problem was presented by the relationship between the work of such a commission and the normal legislation. Clearly an investigation by a commission could not and should not infringe upon consideration of a case before the courts.

The Secretary then asked what issues such a commission might consider and what type of recommendation it was envisaged such a commission might make. At this point the Secretary had to leave temporarily to receive a visiting ambassador.

In the ensuing discussion, the following points were developed. A commission might find that the operations of American oil companies abroad were affected with a public interest which beyond the range of interest of the anti-trust laws and affecting our security interests and our foreign relations. It might also find that certain of the problems involved, such as the relative rates of developments as between producing country as against another, the continued assurance of adequate supplies to consuming countries, and the general price relationships of oil and oil products at various locations affected the national interest of other countries in addition to those of the U.S. to such a degree that international rather than purely national machinery might be required to adequately deal with the subject.

Mr. Luce

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Mr. Luce said that he felt that the American oil companies would be prepared to make all information available to any commission which might be appointed and would fully cooperate with any recommendations which were made.

After the Secretary returned to the meeting, there was some discussion of other elements which bore upon the current situation of American oil companies operating abroad, including the GA suit and the developments in Iran.

In respect to the GA suit, Mr. Luce said that he would prefer not to discuss the matter since his company was one of the companies involved. With respect to Iran, the Secretary asked Mr. Luce how much oil he thought Iran could be able to sell in the absence of a settlement with U.K. Mr. Luce felt that they might be able to sell between 100 - 150,000 barrels per day, but he thought this would take a considerable period of time.

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(31) R S/P - Memo. Nitze

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DEPARTMENT OF STATE

Memorandum of Conversation

DEPARTMENT OF STATE

DATE: October 29, 1952

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SUBJECT: "Oil Cartel" - Federal Anti-Trust Suit.

OFFICE OF DIRECTOR S/P

PARTICIPANTS:
James Terry Duce, ARAMCO
Paul H. Nitze, S/P
Harold F. Linder, E

COPIES TO:
S/P - Mr. Nitze
NEA - Mr. Byroade
OMP - Mr. Armstrong

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Mr. Duce came in to give us a little of the background relating to his letter to the Secretary of Interior and accompanying memorandum. After his talk with the Secretary some time ago, he called on Mr. Lovett, who agreed that action needed to be taken and Mr. Sawyer, who concurred, and then on Mr. Steelman. The last took the position that a mistake had been made in proceeding with the suit and that he thought that the Secretary of the Interior was the proper man to bring the matter forcefully to the attention of the President. Mr. Chapman stated that he had not been consulted when the decision was made to proceed with the suit and he undertook to present his views, which coincided with those of Mr. Duce, to the President. The Secretary of Interior requested Mr. Duce to prepare a background memorandum and a letter which might be addressed by the President to the Secretaries of State, Defense, Interior and Commerce. He also suggested that Mr. Duce might wish to undertake to prepare an executive order. This, in addition to the paper submitted, is in the course of preparation.

Mr. Duce stated that he did have some degree of concern about the reaction of the domestic oil industry were the suit to be dropped and plans to talk to Mr. Russell Brown who represents the Independent Petroleum Association. He hopes to convince Brown that the procedure recommended will be in the long-run interest of his clients. Mr. Nitze asked Mr. Duce whether his principals were fully aware of this proposal and approved it, to which Duce replied that they were aware but not committed. (Admiral Kelly, Washington representative of Socony-Vacuum sent me the papers prepared by Mr. Duce, so one can assume that the parents of ARAMCO approve.)

After

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After Mr. Mitze had indicated our concern with the international repercussions of the suit, he said that we nevertheless, as Government servants, were charged with upholding U. S. laws. To this Duce replied that he for one had always favored the elimination of practices which could properly be construed as violations of our own law.

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